



**Bill Title:** Senate Bill 528, Climate Solutions Now Act of 2022

**Committee:** Education, Health and the Environment

**Date:** February 15, 2022

**Position:** Favorable with Amendments

This testimony is offered on behalf of the Maryland Multi-Housing Association (MMHA). MMHA is a professional trade association established in 1996, whose members consist of owners and managers of more than 210,000 rental housing homes in over 958 apartment communities. Our members house over 538,000 residents of the State of Maryland. MMHA also represents over 250 associate member companies who supply goods and services to the multi-housing industry.

For purposes of the residential rental industry, Senate Bill 528 sets forth requirements that covered buildings, not owned by the state must reach a 20% reduction in net greenhouse gas emissions on or before January 1, 2030, a 40% reduction in net greenhouse gas emissions on or before January 1, 2035 and net-zero emissions on or before January 1, 2040. The Maryland Department of the Environment (MDE) must require the owners of covered buildings to measure and report direct emissions to the Department annually beginning in 2025. The Department shall adopt regulations and provide maximum flexibility to the owners of covered buildings to comply with building emissions standards, include an alternative compliance pathway allowing the owner of a covered building to pay a fee for building emissions that exceed the building emissions standards. And to the extent available, MDE must make available financial incentives recommended by the building energy transition implementation task force.

Additionally, this bill establishes a Building Energy Transition Implementation Task Force to study and make recommendations regarding the development of complementary programs, policies, and incentives aimed at reducing greenhouse gas emissions from the building sector and develop a plan for funding the retrofit of covered buildings to comply with building emissions standards. The plan developed must include recommendations related to the creation of commercial tax credits or direct subsidy payments for building decarbonization projects, the creation of financial incentives through empower and other state programs to support all aspects of the transition to electrified buildings. One representative to the Task Force is a facilities or property manager for an apartment building.

MMHA recognizes the significant impact of climate change. As outlined below, we are concerned about the cost implications associated with this bill and the need to engage local inspection offices and utilities.

1. Transitioning to Electric Appliances: Achieving net-zero energy emissions for the housing industry is essentially converting to 100% electric (eliminating carbon emissions). In the next ten 10 to 15 years, a significant percentage of the existing fuel



burning appliances in housing units will require replacement. While the new cost of an electric appliance versus gas is negligible, and in some cases even less expensive, upgrade of the electrical infrastructure is the significant financial barrier.

2. Electrical Infrastructure: Upgrading the electrical infrastructure in a multi-family dwelling is a costly proposition. As a result of labor, material and wiring, extra equipment (panel boxes), the logistics of exterior HVAC equipment (placing heat pump condensers and the copper line sets associated with them), such a modernization comes at a heavy price in the apartment setting. Additionally, the majority of apartment buildings receive electrical service underground, which significantly adds cost to a service upgrade. These are costs that housing providers will have no choice but to pass through to our residents.
3. Payback of Improvements: One workforce housing provider from the Baltimore region assessed that the infrastructure retrofits would result in roughly an \$8500 per unit cost in a large scale or bulk retrofit scenario under normal global economic conditions. These improvements would likely yield minor energy savings due to the high efficiency heat pumps and water heaters, but since the tenant pays the energy bill, the tenant, not the housing provider, would collect any savings. The rental increase to fund these improvements would amount to \$150-\$200 per unit per month, which considers interest on a 15-year mortgage, vacancy and delinquency rates, depreciation, and property management costs.
4. Offsite Mitigation Credits: Some housing properties have the benefit of a less cost prohibitive approach, where a property owner could plant trees or install solar to comply with the totality of the required standards. Another provider of workforce housing in the Baltimore area has invested in extensive tree planting, energy saving lighting on private roadways, parking lots, and buildings, roof solar energy systems that power common area building lighting, laundry room appliances, and building common hot water heaters from oil to solar. These energy saving initiatives should be considered when calculating compliance under this legislation. This particular solar installation alone is equivalent to planting 114.9 acres of trees or elimination of 13,381,351 lbs. of greenhouse gas or taking 25 fossil fuel cars off the road for 71 years. These improvements – perhaps indirectly benefitting the building - certainly reduce greenhouse gas emissions and demand. Current law allows for the use of offset credits generated by alternative compliance mechanisms executed within the State, including carbon sequestration projects, to achieve compliance with greenhouse gas emissions reductions required by this subtitle. See Section 2-1206(4) of the Environment Article. MMHA urges that the bill provide offsite mitigation credits and consideration for greenhouse emission reduction initiatives that impact an entire community.
5. Subsidies: To avoid having these significant costs passed onto the tenant, the State must offer meaningful subsidies to meet net-zero retrofits.



6. Engagement with Local Inspection Offices and Utilities: The State must engage local inspection offices and utilities to streamline processes for upgrading electrical services to buildings and increase their labor force to accommodate the demand, which will significantly increase over next few years with higher electrical loads in housing and needs for electrical vehicle charging.

For these reasons, we respectfully request a favorable report with amendments on Senate Bill 528.

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